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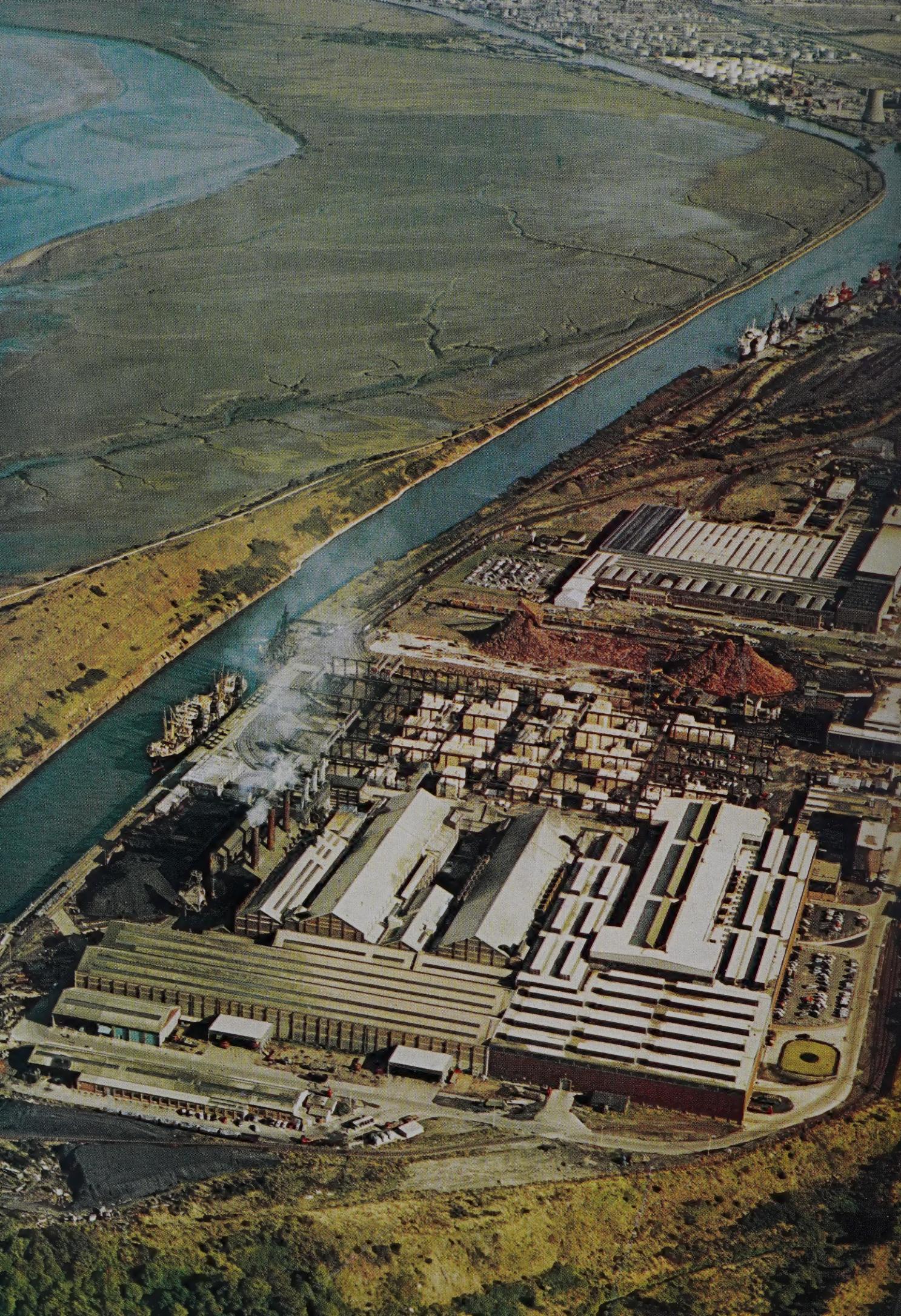
THE BOWATER ORGANISATION

1966

Annual Report and Accounts for

Note the Canadian Annex





To holders of ordinary stock

NOTICE IS HEREBY GIVEN that the Annual General Meeting of The Bowater Paper Corporation Limited will be held at Grosvenor House, Park Lane, London, W.1, on Thursday, the 20th day of April, 1967, at 12 noon, for the purpose of receiving and adopting the Directors' Report and Accounts to 31st December, 1966, and transacting the ordinary business of the Corporation.

Sir John Keeling, a Vice-Chairman of the Corporation, who at the last Annual General Meeting was re-elected for a further year, retires from the Board at this meeting after serving as a Director since 1939.

Three directors retire from the Board in accordance with the Articles of Association, Dr. Neville Whitehurst and Mr. C. F. Popham by rotation, and Mr. A. E. Balloch, who was elected a Director on 26th January, 1967. Resolutions for their re-election will be submitted to the meeting.

Dated this 29th day of March, 1967

By order of the Board
W. E. J. Miles
Secretary

Bowater House, Knightsbridge, London, S.W.1

A member entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and vote in his stead; a proxy need not be a member. The instrument of appointment must be deposited at the Registered Office of the Corporation not less than forty-eight hours before the time of the meeting.

Although the Report and Accounts are sent to preference, debenture and loan stockholders, only holders of the ordinary stock are entitled to attend and vote at the meeting.

Finance Act 1965

In some circumstances a sale of shares may give rise to long term capital gains tax on a basis related to the market value of the shares at 6th April, 1965. It may be helpful to stockholders to have the quoted values of Bowater stocks at that date, which were:

Ordinary Stock 46s 0d
5½% Cumulative Preference Stock 15s 3d
3¾% First Debenture Stock 62½
Unsecured Loan Stock 94

The Bowater Paper Corporation Limited

Registered Office: Bowater House, Knightsbridge, London, S.W.1

BOARD OF DIRECTORS

Chairman
Sir Christopher Chancellor C.M.G.

Vice-Chairmen
Sir John Keeling
K. N. Linforth

Managing Director
J. Martin Ritchie

A. E. Balloch O.B.E. (Canada)
J. H. Mowbray Jones (Canada)
Robert Knight
The Rt. Hon. Sir Frank Lee G.C.M.G., K.C.B.
C. F. Popham
V. J. Sutton (U.S.A.)
Neville Whitehurst O.B.E.

Special Director
Sir Noël V. Bowater Bt., G.B.E., M.C.

Comptroller Sam Mann F.C.A.

Secretary W. E. J. Miles F.C.A.

AUDITORS
Barton, Mayhew & Co.

CONSULTING ACCOUNTANTS
Peat, Marwick, Mitchell & Co.

The Chairman's Statement



Sir Christopher Chancellor, C.M.G.

Changes on the Board

At the forthcoming Annual General Meeting we shall be taking leave of a colleague who has played a major part in building Bowaters into the great international company that it is today. Sir John Keeling retires this year after serving as a Director for 28 years, during which time he has made a lasting contribution to the growth and prosperity of Bowaters. To his colleagues on the Board he has been a wise counsellor and the firmest of friends.

Mr. A. E. Balloch, O.B.E., a newcomer to the Board, joined Bowaters in 1938 and was President of Bowaters Mersey Paper Company, Nova Scotia, from 1961 until the end of 1966 when he was appointed President of Bowaters Canadian Corporation.

The Year's Results

Our figures for the first half of 1966 seemed to presage a year to break all records; but when in August I came to issue the half-time Statement the forward position had become so clouded that it was impossible to give any

forecast of profits for the year. There had been a sudden change of economic climate in the United Kingdom and in the second half-year the British paper and board industry suffered a number of blows almost at the same time. The Government's deflationary measures in the summer had a quick impact on demand in the United Kingdom for paper and board and their converted products. On December 1, 1966, the temporary import surcharge was lifted and at the end of the year came the final stage in reducing to nil the EFTA protective tariffs on imports of paper into this country. These three factors affect the British paper companies in varying degrees, depending upon the spread of their product and geographical diversification.

Nevertheless, Bowaters had on the whole a satisfactory year in 1966. Consolidated pre-tax profits at £17,424,000 compared with £16,379,000 in 1965. The 1966 figures include ten months of Hugh Stevenson and Sons Limited, acquired in February 1966, and twelve months of Bowater-Scott, Australia, consolidated for the first time; but even so the 1966 results were a good achievement in a difficult year and they reflect a splendid effort on the part of the men and women who serve the Bowater Organisation with energy and distinction in its world-wide activities.

As will be seen from the Directors' Report your Directors have decided to recommend a final dividend of 2s. 0d. which, together with the interim dividend of 1s. 0d., makes the dividend on the Ordinary stock for the year 1966 3s. 0d. the same as for the year 1965.

Review of the Year

In my Statement this year, instead of giving a comprehensive review of the activities of our numerous subsidiary companies, I propose to describe the most important and significant events and trends in Bowaters' world operations and to call attention to some of the problems facing us at the present time.

Unless there is a marked change in conditions in the United Kingdom in 1967 we shall continue to rely on our North American companies for the major part of our profits. We find ourselves in a period of stagnation in the United Kingdom paper industry. Consumption of paper and board in 1966 at 6,451,000 long tons was an increase of only 1.8 per cent compared with 1965. Total production in the United Kingdom at 4,545,000 long tons was the same as in 1965. Despite the fact that the

temporary import surcharge was in force for eleven months of the year, imports of paper and board increased by 7 per cent.

One of the few sectors of the United Kingdom paper industry which continues to grow and flourish is the manufacture of tissues and household papers for domestic use. The Bowater-Scott Corporation had a record year in 1966 and last summer we announced the construction of a new tissue mill at Barrow-in-Furness, Lancashire, where production will start later this year.

Turning to North America, we have two major projects in hand. At Catawba in South Carolina the Bowater pulp and paper mill complex is now so soundly established that we are embarking upon an important expansion programme. We have formed a new company, The Catawba Newsprint Company, jointly with the Newhouse Newspaper Group, which owns 21 daily newspapers in the United States, many of which are already our customers. This company is to build on the Catawba site one of the largest newsprint machines in the world, capable of producing 180,000 short tons a year, which will start production in 1969. Part of this new output will be taken by newspapers of the Newhouse Group and the rest will be absorbed by the growing newsprint market in the southern states of America.

Our second project is in British Columbia, where last year we acquired through the Bulkley Valley Pulp and Timber Company, owned jointly with a Canadian partner, Bathurst Paper of Montreal (recently merged with Consolidated Paper Corporation Limited), an exclusive pulp harvesting licence covering more than 6,000,000 acres of forest. Bulkley Valley acquired extensive lumber and sawmill interests in 1966 in and around the pulp harvesting area. These will be a good investment and they will be part of an integrated lumber, sawmill and pulp and paper operation which in the 1970s will become an important element in the Bowater Organisation in Canada.

In September our Italian company, Bowater Italia, opened its new factory at Modena, which is well placed to serve the growing industries of central and north-eastern Italy. The Modena development is an extension of our successful packaging factory at Genoa and will strengthen our position in the corrugated container industry of Italy.

I must make a special reference to Hugh Stevenson and Sons Limited, acquired a year ago, which performed most successfully in 1966 with profits well up to expecta-

tions, despite a difficult period in the second half-year for the United Kingdom packaging industry. This well-managed company is already proving a most useful addition to our United Kingdom packaging interests and its experienced staff have proved themselves a valuable reinforcement to the Bowater Organisation.

I must also mention the fact that the management of our French mills at Rouen and Strasbourg achieved record production figures in 1966. In 1967, for the first time since the company became part of the Bowater Organisation, the Directors of Papeteries de la Chapelle, Rouen are recommending the payment of a dividend.

Newsprint

In my Statement last year I said that, despite diversification into other types of paper and packaging, our main international activity remained the provision of newsprint to the newspapers of the world. Total newsprint production by Bowater companies in 1966 amounted to 1.7 million short tons, 8.5 per cent of total world production. World demand for newsprint has been increasing on average at the rate of 4 per cent a year for the past ten years. Growth has been particularly rapid in the past three years, with an average increase of 7 per cent.

In the late 1950s and early 1960s more newsprint capacity was available in the world than could be utilised fully; but today the demand and supply position is more in balance and recent additions to production capacity have only just kept pace with increasing demand.

In North America the Bowater mills in 1966 produced more than 1,000,000 short tons of newsprint, which was 10.3 per cent of total production in Canada and the United States. Consumption of newsprint in the United States in 1967 is likely to increase again, although not by the same exceptional 8 per cent as in 1966. On June 1, 1966, the New York newsprint price was raised by \$5 a short ton, the first increase since 1957.

In the United Kingdom Bowaters announced a £2 increase in the price of newsprint for July 1, 1966. The other United Kingdom newsprint manufacturers, and the Canadian and Scandinavian importers, announced a similar increase. The new price, at £58 15s. 0d. a long ton, was an increase of 3½ per cent, but still lower than the price ten years ago.

After a number of meetings with our newspaper customers we agreed to postpone this increase for five months, until December 1, 1966, the date announced by the Government for terminating the temporary import surcharge. The "squeeze" subsequently intervened; and the Board of Trade, which had not questioned the propriety of the price increase when consulted last spring, found it necessary in the autumn to refer it to the National Board for Prices and Incomes. The matter had to be held in suspense, therefore, pending the outcome of a most detailed and comprehensive enquiry into every aspect of our United Kingdom newsprint operations.

On February 23 this year the Prices and Incomes Board published its report and on the same day the President of the Board of Trade approved its recommendations. Accordingly, we are implementing the £2 price increase on April 1 next.

U.K. | The Prices and Incomes Board made a detailed study of the United Kingdom newsprint industry of which the Bowater mills are the largest component. After examining the problems of the industry, and discussing its future, the Board observed that "a large investment had been made in newsprint machines having a long technical life" and that, despite imports from Scandinavia and Canada, the industry had been able to "compete effectively, albeit with low average returns on capital." It emphasised the importance of the use of home-grown timber, in which Bowaters have been pioneers, and pointed out that the home newsprint industry makes a contribution of about £20,000,000 a year to the balance of payments through converting pulp to newsprint in the United Kingdom rather than abroad.

In passages, which may hold some promise for the future, the Board stated that, since the British newspaper industry appears to attach importance to the maintenance of a British newsprint industry, it would be well advised to enable the industry to work if possible at its maximum productive capacity. In conclusion it urges the Government to use its good offices to bring together both the makers and the users of newsprint to discuss desirable levels of production for the home industry and agree upon total tonnages at competitive prices. The concluding sentence of the Report reads as follows: "We recommend that, with the object of ensuring the maximum utilisation of installed capacity, the newspapers and the newsprint industry should review the form and nature of current long-term contracts, and that the Government

should use its offices to promote such a confrontation between suppliers and customers at an early date."

Profits and Taxation

Regretfully, I have to dwell once again on the uncongenial subject of taxation. The Finance Act of 1965 bears more heavily on companies with a high proportion of overseas earnings than upon those whose operations are wholly or mostly home based. The burden is particularly severe on Bowaters, with its large North American earnings, and a substantial proportion of the overseas tax liability is unrelieved against Corporation Tax in the United Kingdom, although "overspill" relief gives some temporary mitigation. The new tax system also brought in its train changes in many double tax agreements with other countries. Bowater remittances from the United States, for example, now suffer withholding tax of 15 per cent instead of 5 per cent as formerly.

With pretax profits for 1966 of £17,424,000, net profit after minority interests and tax is £8,581,000 compared with £7,891,000 in 1965. The tax charge in 1966 is £7,802,000. This is the tax on profits, but this year for the first time tax is levied not only on profits but also on dividends. We have to pay to the Government tax at 8s. 3d. in the £ on dividends paid to our shareholders, and this requires £2,970,000. The total tax burden on profits and dividends combined is therefore the very substantial sum of £10 $\frac{3}{4}$ million.

In my Statement a year ago I said that our estimated transitional and overspill reliefs in 1966 would be approximately £1,500,000. Unhappily transitional reliefs amounting in our case to £800,000 were withdrawn by the Finance Act 1966. In our forward planning a year ago we not unnaturally took into account the tax law as it then stood, based upon legislation enacted less than twelve months previously. In withdrawing some of these reliefs, thus depriving Bowaters of the substantial sum of £800,000, the Chancellor said "the concessions were drawn too generously." It is important for shareholders to know how seriously the Company has been penalised by these arbitrary changes; and as a result of the changes in the 1966 Finance Act our retained profits for the year 1966, instead of being in excess of £2,000,000 as we had envisaged, are £1,322,000.

It is an interesting although depressing exercise to compare our present situation

with the situation as it would have been had the taxation system remained unchanged. Under the old system total tax paid would have been £1.5 million less; and, if the same net dividend had been paid as is now proposed for 1966, retained profits would have been approximately £2.8 million instead of £1.3 million.

The impact on our cash flow position of the new taxation system as well as the Government's deflationary measures caused us last summer to give deep attention to all capital expenditure programmes. Last year I anticipated 1966 capital expenditure at £13,500,000. By revising the programmes we brought this down to £12,500,000. For 1967 we have found it necessary to postpone some projects in the United Kingdom and we have reduced anticipated total capital expenditures for the year to £9,500,000, excluding the major Bowater-Scott development at Barrow.

Deflation in the United Kingdom

On July 20, 1966, the British Government announced its deflationary measures, including a six months' standstill on wages and salaries to be followed by a further six months of "severe restraint." The slowing down of the economy resulting from these measures was quickly felt by British industry. Figures published for the final quarter of 1966 show that, for the majority of companies, profits have failed to grow and the rate of profit earned on assets employed has diminished. Many companies may not be in a position to take advantage of the investment opportunities which may appear when the Government decides to reflate the economy, despite the recently increased rate of investment grants applying to 1967 and 1968. The truth is that manufacturing investment cannot be stimu-

lated by official exhortation. Unless industry is able to generate sufficient capital to promote investment, the Government's admonitions aimed at an expanding technological society will ring a little hollow.

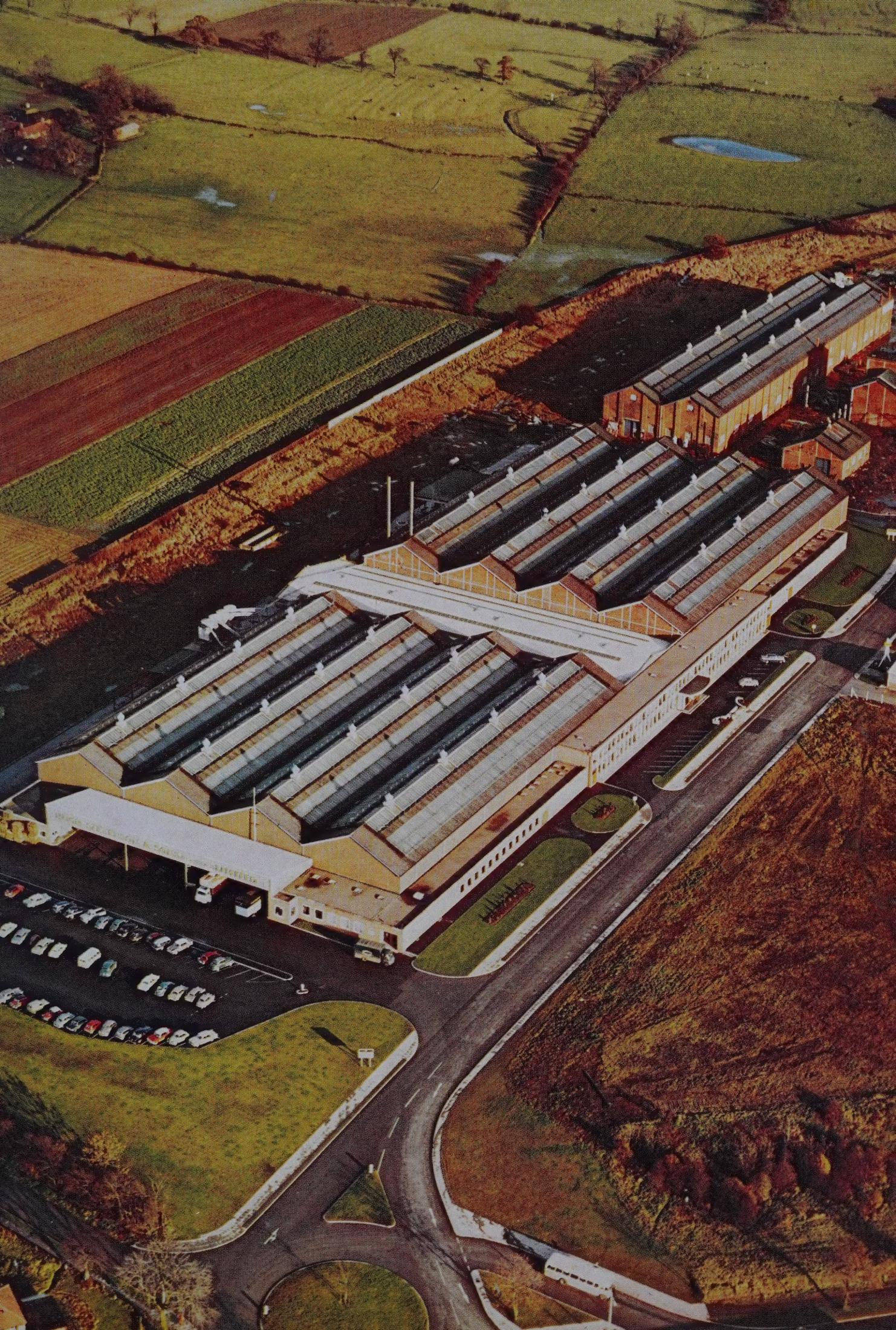
Conclusion

Despite what we regard as the Government's misguided taxation policy and because we live in hope that it will one day be modified to meet the needs of British companies whose overseas earnings benefit, much less damage, the United Kingdom balance of payments, we shall continue to do all that we can to develop still further Bowaters' successful enterprises in North America. Your Board is convinced that, in carrying out this policy, it is acting in the best interests, not only of Bowaters and its shareholders, but also of Great Britain. We are proud of our Canadian and United States companies and we believe a great future lies ahead of them.

In looking at our financial prospects for 1967, I make no prophecy at the present time. Much will depend upon the economic situation in the United Kingdom as it develops during the year. The first half-year will undoubtedly be difficult; but we must hope that there will be an improvement in the second half. For the longer term I can only repeat what I have said on previous occasions, namely that your Board continues to view the future of Bowaters with confidence unabated.

C. J. Chancellor.

10th March, 1967





Directors' report

to the members of The Bowater Paper Corporation Limited

The Directors present the Consolidated Balance Sheet and the Statement of Profit and Loss of the Corporation and its subsidiary companies for the year ended 31st December, 1966.

The consolidated profit before taxation for the year amounted to £17,424,000 compared with £16,379,000 for 1965. After providing for taxation, for minority interests and for the preference dividends of subsidiary companies, the net profit attributable to members of the Corporation was £8,581,000 against £7,891,000 for the preceding year.

An interim dividend of 1s. 0d. per £1 Ordinary stock unit was paid in October, 1966. The Directors recommend the payment of a final dividend for 1966 of 2s. 0d. per £1 stock unit, making a total distribution for the year of 3s. 0d. per £1 stock unit the same rate as paid for the year 1965. After providing £2,970,000, being tax at 8s. 3d. in the £ deducted from the dividend but which now has to be paid to the Government, although the profits have already borne full company taxation in the United Kingdom or overseas, the balance remaining to be added to unappropriated profits would be £1,322,000; this

compares with retained profit for 1965 of £4,003,000.

On the 21st February, 1966, the authorised capital of the Corporation was increased to £70,000,000 by the creation of 10,000,000 Ordinary shares of £1 each. During the year 4,328,400 Ordinary shares were issued as part consideration for the capital of Hugh Stevenson & Sons Limited and 270,810 shares to the holders of the 4½ per cent Swiss franc loan who exercised conversion rights.

As a result of these issues, the Ordinary capital at 31st December, 1966, was £45,979,981 on which amount the final dividend will be paid.

By order of the Board
W. E. J. Miles
Secretary

Bowater House, Knightsbridge,
London, S.W.1.

10th March, 1967

Summary for 1966

Sales analysis

- to third parties	£189,406,000
- within the Organisation	£18,924,000
<hr/>	
	£208,330,000
	%
newsprint	40
magazine, coated, packaging and other papers	25
packaging products	19
pulp	11
other products and services	5
	100
<hr/>	

Consolidated profit

before taxation: £17,424,000

Geographical analysis

	%
- United Kingdom	24
- overseas	76
	100

Other statistics

ordinary stockholders 68,000
employees 31,000

Consolidated statement of profit and loss

for the year ended 31st December 1966

	1966 £000s	1965 £000s
Sales—to third parties	189,406	166,219
—within the Organisation	18,924	19,198
	£208,330 \$ 6,24,910	£185,417 \$ 5,6,251
Consolidated profit before taxation (note 1)	17,424	16,379
Taxation (note 2)	7,802	7,678
Profit for the year after taxation	9,622	8,701
Minority interests (note 3)	1,041	810
Profit attributable to members of the Corporation (note 4)	8,581 25,743	7,891 23,673
Dividends of the Corporation (note 5)		
Preference, less income tax	239	241
Ordinary, less income tax	4,050	3,647
Income tax payable on dividends	2,970 \$ 8,910	—
	7,259	3,888
Profit retained	£1,322	£4,003
	\$ 3,966	\$ 1,2009

Consolidated balance sheet

31st December 1966

	1966 £000s	1965 £000s
CAPITAL EMPLOYED		
Ordinary capital (note 6)	45,980	41,381
Share premium account (note 7)	18,703	11,154
Retained profits and other reserves (note 8)	36,932	44,440
	<hr/> 101,615	<hr/> 96,975
Minority interests (note 9)	12,434	12,847
Preference capital (note 6)	7,394	7,394
Loan capital (note 10)	69,079	71,299
Tax equalisation (note 11)	12,617	12,083
Future taxation (note 12)	1,595	2,215
Investment grants (note 13)	743	-
	<hr/> £205,477	<hr/> £202,813
EMPLOYMENT OF CAPITAL		
Current assets (note 14)	75,787	67,258
Current liabilities and provisions (note 15)	48,354	35,340
Net current assets	<hr/> 27,433	<hr/> 31,918
Deposits with trustees (note 16)	2,951	2,927
Trade investments (note 17)	5,138	5,401
Fixed assets (note 18)	169,955	162,567
	<hr/> £205,477	<hr/> £202,813

On behalf of the Board
C. J. CHANCELLOR
J. H. KEELING

DIRECTORS

Balance sheet

31st December 1966

	1966 £000s	1965 £000s
CAPITAL EMPLOYED		
Ordinary capital (note 6)	45,980	41,381
Share premium account (note 7)	18,703	11,154
Retained profits and other reserves (note 8)	10,753	13,012
	<hr/> 75,436	<hr/> 65,547
Preference capital (note 6)	7,394	7,394
Loan capital (note 10)	16,011	18,349
	<hr/> £98,841	<hr/> £91,290
EMPLOYMENT OF CAPITAL		
Investments in subsidiaries (note 19)	109,022	92,188
Trade investments (note 17)	1,519	1,801
Current assets (note 14)	1,273	3,393
	<hr/> 111,814	<hr/> 97,382
Current liabilities and provisions (note 15)	12,973	6,092
	<hr/> £98,841	<hr/> £91,290

On behalf of the Board
C. J. CHANCELLOR
J. H. KEELING

DIRECTORS

Notes to the accounts

	£000s	£000s
	1966	1965
1 CONSOLIDATED PROFIT BEFORE TAXATION	17,424	16,379
after charging:—		
Depreciation	11,777	10,978
Interest on loan capital—Corporation	800	792
—subsidiaries	2,921	2,883
Directors' emoluments for executive services		
including contributions to pension schemes	191	201
Pensions to former executive directors and to dependants	35	28
Auditors' remuneration (Corporation)	6	4
and including:—		
Hugh Stevenson & Sons Limited (10½ months) and		
Bowater-Scott Australia Limited	1,211	—
Dividends from associated companies (note 17)	164	165
Income from other trade investments—quoted	17	4
—unquoted	100	122
Investment grants	52	—
Investment grants are credited to profit and loss account over the expected working life of the relevant assets, depreciation having been provided on the gross cost of these assets before deducting grants.		
2 TAXATION		
United Kingdom—corporation tax at 40%	3,547	2,275
—income tax and profits tax	(39)	1,220
	3,508	3,495
Overseas taxation less United Kingdom double tax relief	4,675	3,555
Tax equalisation	369	628
	8,552	7,678
Transitional relief—estimated first year overspill	(750)	—
	7,802	7,678
Relief for investment allowances has reduced United Kingdom taxation by £76,000 (1965 £446,000)		
3 MINORITY INTERESTS		
Preference dividends of overseas subsidiaries	223	253
Profit attributable to outside ordinary shareholders	818	557
	1,041	810
4 PROFIT DEALT WITH IN THE ACCOUNTS OF THE CORPORATION		
Profit attributable to members of the Corporation	8,581	7,891
Retained by subsidiaries	3,241	3,284
Dealt with in the accounts of the Corporation (note 8)	5,340	4,607
5 DIVIDENDS OF THE CORPORATION		
Dividends, less income tax		
Preference	239	241
Ordinary		
Interim of 1s. per £1 stock (1965 1s.) and proposed		
final of 2s. per £1 stock (1965 2s.)	4,050	3,647
Income tax payable on dividends	2,970	—
	7,259	3,888

	£000s	£000s
6 CAPITAL OF THE CORPORATION	1966	1965
Ordinary—authorised	55,000	45,000
—issued in £1 stock units	45,980	41,381
5½% Cumulative Preference—authorised	15,000	15,000
—issued in £1 stock units	7,394	7,394
The authorised ordinary capital was increased to £55,000,000 on 21st February, 1966. The issued ordinary capital has been increased by £4,328,000 allotted to shareholders of Hugh Stevenson & Sons Limited on the acquisition of that company and by £271,000 on conversion of part of the Swiss Franc 4½% Unsecured Loan 1977.		
7 SHARE PREMIUM ACCOUNT		
The increase of £7,549,000 represents premiums on the issue of ordinary shares (note 6) less expenses of issue £197,000 and cost of increase in authorised share capital £50,000.		
8 RETAINED PROFITS AND OTHER RESERVES		
	CONSOLIDATED	CORPORATION
	1966	1965
Retained profits	25,757	24,653
General and contingencies reserves	6,142	6,040
Capital reserves	5,033	13,747
	<hr/> 36,932	<hr/> 44,440
	<hr/> 10,753	<hr/> 13,012
Retained Profits		
at 1st January, 1966	24,653	4,853
Difference on conversion at current rates of exchange	39	—
Provision for income tax on prior year's dividends in excess of standard	(325)	(325)
Tax provisions no longer required	250	250
Profit for the year (note 4)	8,581	5,340
Dividends of the Corporation (note 5)	(7,259)	(7,259)
Transfer to capital reserves	(139)	—
Transfer to general and contingencies reserves	(43)	—
at 31st December, 1966	<hr/> 25,757	<hr/> 2,859
Of the retained profits of £25,757,000, the distribution of £12,039,000 profits of United States subsidiaries is restricted by their funded debt agreements.		
No provision has been made for withholding taxes which may be payable by overseas subsidiaries on the distribution of their retained profits.		
Capital Reserves		
at 1st January, 1966 (before consolidating adjustments of £2,394,000)	16,141	7,159
Transfer from retained profits	139	—
Transfer to depreciation on fixed assets (note 18)	(88)	—
Transfer to general and contingencies reserves	(59)	—
Provision for anticipated capital loss by a subsidiary	(300)	(300)
Surplus on preference shares and debentures purchased for redemption	82	23
Surplus on disposal of fixed assets, exchange adjustments and other capital items	60	12
	<hr/> 15,975	
Consolidating adjustments:		
Premiums on acquisition of shareholdings in subsidiaries including £8,530,000 on acquisition of Hugh Stevenson & Sons Limited	(11,587)	
Net differences on conversion at current rates of exchange of share and loan capital of overseas subsidiaries	645	
at 31st December, 1966	<hr/> 5,033	<hr/> 6,894

	£000s	£000s
9 MINORITY INTERESTS		
(outside shareholders' interest in subsidiaries)	1966	1965
Preference shareholders	3,883	4,890
Ordinary shareholders	8,551	7,957
	<hr/>	<hr/>
	12,434	12,847

The preference capital of Bowaters Mersey Paper Company Limited, £2,358,000, is redeemable at the option of that company. During the year £734,000 was redeemed.

10 LOAN CAPITAL	Unsecured	Secured
Corporation:		
3½% First Debenture Stock 1997 (£15,000, held by a subsidiary)	-	2,648
5½% Unsecured Loan Stock—redeemable 1st December, 1967	5,324	-
4½% Unsecured Loan 1977 (Sw. Frs. 52,035,000)	4,311	-
5% Unsecured Loan 1981 (Sw. Frs. 45,000,000)	3,728	-
	<hr/>	<hr/>
	13,363	2,648

Holders of the 4½% Swiss Loan have the right to convert, between 1st May and 31st December, 1967, one half of each Sw.Frs. 1,000 bond into 16 ordinary shares of £1 each of the Corporation. Conversions during 1966 reduced the amount outstanding by Sw.Frs. 7,965,000 (note 6).

Subsidiaries:		
United Kingdom	-	6,330
Canada	1,773	10,878
United States	2,025	28,402
Europe	1,669	466
Other countries	860	680
	<hr/>	<hr/>
	6,327	46,756

Loan capital of subsidiaries is repayable at various dates up to 1986: £4,563,000 is repayable in 1967.

11 TAX EQUALISATION	1966	1965
Tax equalisation and special depreciation	11,970	11,415
Deferred overseas taxation	647	668
	<hr/>	<hr/>
	12,617	12,083

Tax equalisation and special depreciation includes for the United Kingdom mills company tax relief on initial allowances and for other subsidiaries tax on the amount by which taxation allowances to date have exceeded normal depreciation charged in the accounts. In addition it includes the balance of investment credits taken by United States subsidiaries to be brought into profit over the remaining life of the relevant assets. In order to reduce future taxation liabilities a subsidiary has changed the basis of claiming tax allowances and has increased current taxation liabilities by £246,000 transferred from tax equalisation.

12 FUTURE TAXATION	1966	1965
United Kingdom corporation tax due 1st January, 1968	1,595	2,215

13 INVESTMENT GRANTS	1966	1965
Receivable on capital expenditure in the United Kingdom	795	-
Credited to profit and loss account (note 1)	(52)	-
	<hr/>	<hr/>
	743	-

14 CURRENT ASSETS	CONSOLIDATED		CORPORATION	
	1966	1965	1966	1965
Cash	7,367	7,607	286	2,935
Short term securities	811	78	4	4
Accounts receivable	32,318	26,433	983	454
Inventories at lower of cost and net realisable value	35,291	33,140	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	75,787	67,258	1,273	3,393

	£000s		£000s	
15 CURRENT LIABILITIES AND PROVISIONS	CONSOLIDATED		CORPORATION	
	1966	1965	1966	1965
Bank overdrafts (secured as to £1,359,000)	10,300	5,794	6,243	2,529
Acceptance credits and bills payable	8,452	6,265	—	—
Accounts payable	17,542	15,159	1,251	772
Taxation	5,635	4,558	179	—
Dividends	4,977	2,754	4,700	2,491
	46,906	34,530	12,373	5,792
Provisions	1,448	810	600	300
	48,354	35,340	12,973	6,092

The increase in provisions includes £300,000 on consolidation of Hugh Stevenson & Sons Limited.

16 DEPOSITS WITH TRUSTEES

Amounts deposited with trustees for bondholders and withdrawable for capital purposes.

17 TRADE INVESTMENTS AT COST	CONSOLIDATED		CORPORATION	
	1966	1965	1966	1965
Associated companies	2,250	2,110	1,498	1,498
Other trade investments:				
Quoted (market value £245,000)	77	370	—	282
Unquoted	2,811	2,921	21	21
	5,138	5,401	1,519	1,801

The proportion of the aggregate earnings of associated companies for their financial years ended within 1966 attributable to the Corporation amounted to £381,000 after taxation, of which dividends of £164,000 have been included in the consolidated profit for the year. Unquoted trade investments include £1,949,000 (1965 £2,134,000) for Notes Receivable shown separately in previous years.

18 FIXED ASSETS	Cost or valuation	Depreciation and amounts written off	Net book value	Net book value
			1966	1965
Freehold land, buildings and docks	54,554	13,490	41,064	37,112
Leasehold buildings	1,871	353	1,518	678
Timberlands and woods equipment	16,295	6,128	10,167	9,529
Hydro-electric assets	13,900	2,644	11,256	11,306
Plant and machinery	178,514	77,623	100,891	98,568
Ships	7,898	3,356	4,542	4,904
	273,032	103,594	169,438	162,097
Deferred operating expenditure:				
Woods development			498	398
Other operating costs			19	72
			169,955	162,567

Fixed Assets are taken at cost, with the exception of certain assets of the United Kingdom mills company which were revalued by the Directors at 31st December, 1955, hydro-electric assets in Newfoundland which were independently valued at 15th April, 1955, and assets of certain European subsidiaries which have been revalued in accordance with local fiscal laws.

Continued on page 15





	£000s	£000s
FIXED ASSETS (continued)		
	Cost or Valuation	Depreciation
Movements during 1966:		
at 1st January, 1966	252,649	90,552
Difference on conversion at current rates of exchange	12	(60)
Capital expenditure	13,099	—
On acquisition of Hugh Stevenson & Sons Limited	8,982	2,157
Depreciation for the year	—	11,777
Transfer from capital reserves	—	88
Transfer from tax equalisation	—	89
Transfer from current taxation	—	229
Disposals	(1,710)	(1,238)
at 31st December, 1966	273,032	103,594

The transfers from capital reserve, tax equalisation and current taxation are in accordance with local fiscal laws of Sweden and France.

19 INVESTMENTS IN SUBSIDIARIES	1966	1965
Shareholdings	82,436	69,256
Due from subsidiaries	33,316	29,283
Due to subsidiaries	(6,730)	(6,351)
	<hr/> 109,022	<hr/> 92,188

20 CONTINGENT LIABILITIES AND COMMITMENTS

Guarantees have been given by the Corporation for borrowings of £11,198,000 by subsidiaries and associated companies and in regard to a long-term contract for supplies of raw materials forming part of the security on which the loan capital of an overseas subsidiary was issued. There are contingent liabilities of £185,000 for uncalled capital on investments of the Corporation. Bills discounted and guarantees given by subsidiaries amount to £3,238,000. Orders placed on capital account by subsidiaries are estimated at £6,403,000.

21 RATES OF EXCHANGE

Conversion into sterling of the accounts of overseas subsidiaries has been effected at rates of exchange ruling at 31st December, 1966.

Auditors' report

to the members of The Bowater Paper Corporation Limited

We have examined the foregoing accounts made up to 31st December, 1966 comprising a Balance Sheet, which is in agreement with the books of account, and a Consolidated Balance Sheet and Profit and Loss Account. The accounts of certain subsidiaries have been audited by other firms. The Corporation has kept proper books and we obtained all the information and explanations which we considered necessary. In our opinion the accounts with the notes thereon comply with the Companies Act 1948 and give a true and fair view of the state of affairs of The Bowater Paper Corporation Limited and of the Corporation and its subsidiaries at 31st December, 1966 and of the profit for the year then ended.

Alderman's House, Bishopsgate, London, E.C.2.

BARTON, MAYHEW & CO.

10th March, 1967

Chartered Accountants, Auditors

A TEN YEAR RECORD

CONSOLIDATED TRADING RESULTS

Sales of paper, pulp, packaging and other products and services
Cost of sales and services

Trading surplus
Depreciation

Profit after depreciation
Interest on loan capital

Profit before taxation
Taxation

Profit after taxation
Minority interests and dividends on preference capital of subsidiary companies

Net profit attributable to the members of the Corporation

PROFITS DEALT WITH AS FOLLOWS

Preference dividends }
Ordinary dividends } 1957 to 1965 less income tax
Profit retained

CAPITAL EMPLOYED

Ordinary capital
Profits retained and reserves

Minority Interests and preference capital of subsidiary companies
Preference capital of the Corporation
Tax equalisation, future taxation, and investment grants

Loan capital

EMPLOYED AS FOLLOWS

Fixed assets less depreciation
Net current assets

Total assets

PRODUCTION (in short tons of 2,000 lb.)

Paper
Pulp
Packaging and other products

Total – all products

1957 £000s	1958 £000s	1959 £000s	1960 £000s	1961 £000s	1962 £000s	1963 £000s	1964 £000s	1965 £000s	1966 £000s
2,542	107,183	117,028	142,090	148,440	150,818	158,639	171,247	185,417	208,330
5,390	89,038	96,958	118,596	126,573	128,771	133,219	142,099	154,385	175,408
7,152	18,145	20,070	23,494	21,867	22,047	25,420	29,148	31,032	32,922
4,741	5,247	6,260	7,828	8,595	9,223	10,439	10,878	10,978	11,777
2,411	12,898	13,810	15,666	13,272	12,824	14,981	18,270	20,054	21,145
2,427	2,968	3,257	3,323	3,265	3,515	3,799	3,716	3,675	3,721
9,984	9,930	10,553	12,343	10,007	9,309	11,182	14,554	16,379	17,424
4,276	3,718	4,197	5,803	4,403	4,125	5,520	7,342	7,678	7,802
5,708	6,212	6,356	6,540	5,604	5,184	5,662	7,212	8,701	9,622
862	1,119	930	896	809	762	853	834	810	1,041
4,846	5,093	5,426	5,644	4,795	4,422	4,809	6,378	7,891	8,581
230	234	245	249	249	249	249	249	241	407
1,402	1,460	2,324	3,271	3,485	2,535	2,851	3,395	3,647	6,852
3,214	3,399	2,857	2,124	1,061	1,638	1,709	2,734	4,003	1,322
4,846	5,093	5,426	5,644	4,795	4,422	4,809	6,378	7,891	8,581
9,500	19,500	23,115	40,637	41,371	41,381	41,381	41,381	41,381	45,980
4,470	38,848	46,169	46,809	45,620	47,318	49,367	52,764	55,594	55,635
3,970	58,348	69,284	87,446	86,991	88,699	90,748	94,145	96,975	101,615
7,757	17,731	17,845	17,767	15,444	14,889	18,227	11,781	12,847	12,434
7,394	7,394	7,394	7,394	7,394	7,394	7,394	7,394	7,394	7,394
4,833	5,526	6,212	10,104	9,641	10,471	11,180	13,514	14,298	14,955
3,954	88,999	100,735	122,711	119,470	121,453	127,549	126,834	131,514	136,398
1,021	70,750	67,942	65,796	67,472	74,129	70,853	71,930	71,299	69,079
4,975	159,749	168,677	188,507	186,942	195,582	198,402	198,764	202,813	205,477
7,977	136,080	143,488	154,974	165,587	168,638	167,796	168,406	170,895	178,044
6,998	23,669	25,189	33,533	21,355	26,944	30,606	30,358	31,918	27,433
4,975	159,749	168,677	188,507	186,942	195,582	198,402	198,764	202,813	205,477
ou thousand short tons	thousand short tons								
1,422	1,347	1,455	1,706	1,820	1,817	1,848	2,022	2,103	2,184
355	299	357	504	589	580	645	686	790	760
120	220	236	286	304	331	366	383	389	508
1,897	1,866	2,048	2,496	2,713	2,728	2,859	3,091	3,282	3,452

The Bowater Paper Corporation Limited

Principal subsidiary companies

The percentages relate to the proportion of the ordinary capital held where this is less than 100%

BOWATERS CANADIAN CORPORATION LIMITED, NEWFOUNDLAND Canadian Holding Company
Sir Christopher Chancellor, c.m.g., Chairman J. Martin Ritchie, Vice-Chairman A. E. Balloch, o.b.e., President
M. G. Green J. H. Mowbray Jones H. K. Joyce Robert Knight K. N. Linforth Sam Mann W. A. Sprague
V. J. Sutton

THE BOWATER CORPORATION OF AUSTRALIA LIMITED, SYDNEY Australian Holding Company

THE BOWATER STEAMSHIP COMPANY LIMITED, UNITED KINGDOM Shipowners; transport of
Sir Christopher Chancellor, c.m.g., Chairman group products
B. G. S. Cayzer J. A. Colvin J. C. Goobie G. B. Jones Robert Knight A. E. Lemon
K. N. Linforth J. Martin Ritchie

BOWATER-SCOTT CORPORATION LIMITED, UNITED KINGDOM (50%) Household and industrial disposable paper products
Sir Christopher Chancellor, c.m.g., *Chairman* F. M. O'Brien, *General Manager*
C. D. Dickey H. F. Dunning P. J. Haddon N. L. Harvey Robert Knight
K. N. Linforth G. Willing Pepper J. Martin Ritchie H. F. Winchell

BOWATER HAMMOND LIMITED, UNITED KINGDOM (51%) **Insurance brokers**
Sir Christopher Chancellor, c.m.g., *Chairman*
Gordon Biggs Robert Knight Sam Mann J. Martin Ritchie J. D. Stewart J. R. C. Townsend

BOWATERS UNITED KINGDOM PULP AND PAPER MILLS LIMITED
Neville Whitehurst, *o.b.e.*, *Chairman and General Manager*
E. T. Baker Andrew Ireland Robert Knight A. S. Linforth
G. Martin-Turner J. Nichols T. L. Raine

**Newsprint; roll and blade coated
papers; mechanical printing, stationery
and packaging papers; hardboard,
insulating board, and ceiling panels**

BOWATER PACKAGING LIMITED, UNITED KINGDOM Corrugated fibreboard cases, multiwall sacks, drums, cartons, boxes, and other paper, foil and plastic products
C. F. Popham, *Chairman and General Manager*
J. M. Braithwaite H. B. Dean L. A. W. Edwards J. C. Hallam F. S. Hayes
H. W. King Robert Knight W. Parlante P. D. Patrick R. C. Ross K. M. Stevenson T. C. Watkins

HUGH STEVENSON & SONS LIMITED, UNITED KINGDOM
J. Martin Ritchie, *Chairman* C. F. Popham, *Deputy Chairman*
K. M. Stevenson, *Vice-Chairman and Managing Director*
Rear Admiral T. V. Briggs, c.b., o.b.e. W. Broadbent
H. A. Broadfield H. B. Dean I. B. Privett J. S. Standerwick
H. J. Stevenson T. C. Watkins

Cardboard; corrugated and solid fibreboard
cases, cartons, rigid and folding boxes,
round boxes and tubes

BOWATERS SALES COMPANY LIMITED, UNITED KINGDOM Distributors of products of United Kingdom
Neville Whitehurst, o.b.e., Chairman Pulp and Paper Mills company
R. A. Batchelor J. T. Bett A. S. Linforth G. Martin-Turner F. R. Morley J. Nichols
R. E. Ridout R. C. Ross G. H. West

THE BOWATER TRADING COMPANY LIMITED, UNITED KINGDOM Group purchasing

BOWATER TRAVEL LIMITED, UNITED KINGDOM

Robert Knight, *Chairman* D. Duma, *General Manager*
E. Baker J. H. Cotmore J. A. Mellett W. E. J. Miles

Travel agents

BOWATERS NEWFOUNDLAND LIMITED

A. E. Balloch, *O.B.E., Chairman* H. K. Joyce, *President and General Manager*
B. R. Pryde, *Vice-President and Assistant General Manager* F. G. Huck, *Vice-President*
A. R. Stanford, *Vice-President* Sam Mann

Newsprint, groundwood specialty papers
and sulphite pulp**BOWATERS MERSEY PAPER COMPANY LIMITED, NOVA SCOTIA (51%)**

A. E. Balloch, *O.B.E., Chairman and President* M. G. Green, *Vice-President and General Manager*
H. A. Paterson, *Vice-President* F. S. Beebe F. M. Covert, *o.c.* Mrs. Katharine Graham
J. H. Mowbray Jones Sam Mann J. W. Sweeterman

Newsprint and lumber

THE BOWATER POWER COMPANY LIMITED, NEWFOUNDLAND

H. K. Joyce, *Chairman* J. H. Beardsley, *President and General Manager*
M. G. Green Sam Mann

Hydro-electric power

BOWATERS SOUTHERN PAPER CORPORATION, TENNESSEE

V. J. Sutton, *Chairman and Chief Executive Officer; President*
L. E. Culbertson, *Executive Vice-President and General Manager*
R. R. Edgar, *Vice-President* C. E. Opdyke, *Vice-President* J. G. Cate

Newsprint, groundwood specialty papers
and sulphite pulp**BOWATERS CAROLINA CORPORATION**

V. J. Sutton, *Chairman and Chief Executive Officer*
J. C. Hair, *President and General Manager* H. C. Carruth, *Vice-President and Assistant General Manager*
C. E. Opdyke, *Vice-President* J. G. Cate

Sulphite pulp and coated publication grade papers

THE BOWATER PAPER COMPANY INC., NEW YORK

W. A. Sprague, *President*
J. C. Goobie, *Vice-President and General Manager* G. B. Hutchings, *Vice-President* C. E. Martin, *Vice-President*
N. B. Thomey, *Vice-President* R. E. W. Watt, *Vice-President* R. K. Pfister

Distributors of newsprint, specialty papers and pulp

CATAWBA NEWSPRINT COMPANY, SOUTH CAROLINA (51%)

V. J. Sutton, *Chairman* J. C. Hair, *President* Theodore Newhouse, *Vice-President*
S. Brown H. C. Carruth L. E. Culbertson S. I. Newhouse

Newsprint

PAPER INDUSTRIES LIMITED, ZURICH

E. Reinhardt, *Chairman* Robert Knight, *Vice-Chairman*
Sam Mann H. Schmuki V. Zoller

Swiss Holding Company

PAPETERIES DE LA CHAPELLE S.A., ROUEN (73%)

G. Forest, *Président-Directeur Général*
C. Amiet P. Krug J. Nichols T. L. Raine J. H. van Riel R. Schulz Neville Whitehurst, *O.B.E.*

Newsprint, mechanical printings, roll and
blade coated papers**LA CELLULOSE DE STRASBOURG S.A.**

Neville Whitehurst, *O.B.E., Président-Directeur Général*
G. Forest K. N. Linforth Robert Michaut T. L. Raine J. H. van Riel H. Ch. Seegmuller M. Wehrlein

Sulphite pulp

BOWATER BELGIUM S.A., BRUSSELS

J. M. Doneux, *Président*
Jean Michel R. C. Ross T. C. Watkins

Packaging products: cartons and boxes

BOWATER EMBALLAGE REIMS S.A., RHEIMS

J. M. Doneux, *Président-Directeur Général*
M. Bernard J. H. van Riel R. C. Ross T. C. Watkins

Packaging products: cartons and flexible packaging

BOWATER ITALIA S.p.A., GENOA

H. B. Dean, *Presidente* V. Denari, *General Manager*
G. Heimann U. Ravioli S. Sanguinazzi

Corrugated fibreboard cases

BOWATERS SVENSKA TRÄMASSEFABRIKER AKTIEBOLAG, SWEDEN

Sune Wetter, *Chairman*
G. Johnsson, *Managing Director* J. A. Colvin Göte Engfors

Groundwood pulp

BOWATERS IRISH WALLBOARD MILLS LIMITED

Neville Whitehurst, *o.b.e., Chairman* D. A. Bell, *Manager*
The Hon. John Forbes Andrew Ireland A. S. Linforth G. Martin-Turner D. McCullough
G. G. Overend P. Thomas

Hardboard and medium hardboard

BOWATER PAPER COMPANY LIMITED, AUSTRALIA

A. Lissenden, *Chairman and Chief Executive Officer*
R. W. Turner, *Vice-Chairman* R. J. Brideson, *General Manager*
W. Dunstan J. L. Hunter D. J. McKenzie J. F. N. McKinnell D. H. G. Pashen F. J. Sullivan

Paper merchants; distributors of newsprint,
pulp and timber; general agents

BOWATER-SCOTT AUSTRALIA LIMITED, MELBOURNE (50%)

H. S. Archdall, *Chairman and Managing Director*
C. D. Dickey H. F. Dunning K. N. Linforth A. Lissenden G. Willing Pepper

Household and industrial disposable
paper products

BOWATER PAPER COMPANY (N.Z.) LIMITED, NEW ZEALAND

J. F. N. McKinnell, *Chairman* K. H. Wade, *General Manager*
R. C. Deeble J. C. Mulqueen

Distributors of newsprint, pulp, timber,
and paper mill equipment

ASSOCIATED COMPANIES**BOWATER PHILIPS S.A., GHENT**

R. van Dijk, *Chairman*
B. G. Alexander H. van Donselaar R. A. E. Rolin Jaequemyns W. Th. J. Lier W. Parlane C. F. Popham
P. Th. van der Weide

Corrugated fibreboard cases

BOWATER ASSOCIATED INDUSTRIES (PROPRIETARY) LIMITED, SOUTH AFRICA

G. C. Greenwood, *Chairman* R. K. Donner, *Managing Director*
E. Donner F. S. Hayes A. Levenberg Sam Mann

Paper merchants;
general agents; plastic and
other containers

AKTIESELSKAPET RISÖR TRÄMASSEFABRIKER, NORWAY

Christian Anker, *Chairman* J. A. Colvin Per Norgren

Groundwood pulp

BULKLEY VALLEY PULP & TIMBER LIMITED, BRITISH COLUMBIA

J. H. Mowbray Jones, *Chairman* R. A. Irwin, *President* D. G. Currie, *Executive Vice-President*
A. E. Balloch, *o.b.e.* H. Hagman R. M. Hungerford J. Martin Ritchie W. I. M. Turner

Pulp, paper and lumber



THE BOWATER ORGANISATION Annual Report and Accounts for 1966